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MEMORANDUM

Impact of High Oil Prices on the
Less Developed Countries

Higher oil prices will adversely affect the oil importing LDCs in several different ways, all costly to their current living standards and future growth prospects.

o The direct impact of higher prices on their balances of payments and ability to finance import of other goods. Oil import costs for the importing LDCs as a group have risen by about \$9 billion during 1974. This is equal to about one-third of their total foreign reserve holdings. Oil imports this year will absorb about one-fourth of total LDC export earnings. As in the case of the industrial countries, this impact varies widely among the consuming LDCs. Attachment 1 provides data on several of the hardest hit countries.

o Higher oil prices have also sharply boosted the cost of other essential LDC imports. Prices of fertilizers, plastics, insecticides, artificial fibers and other oil based imports have also risen sharply, adding an additional \$2 billion or so to the cost of total LDC imports. In addition, this problem of high food prices is inseparably bound up with that of fertilizer prices and scarcities. Attachment 2 provides data on the rise in fertilizer costs.

o The impact of high oil prices on world industrial output and inflation is sharply worsening the non-oil terms of trade for most LDCs. Prices of their major export commodities have begun to fall, while prices for their imports from industrial countries have continued to rise. Attachment 3 provides data on commodity price trends.

Attachment 1
Selected Economic Indicators

	Million US \$					
	Net Oil Cost					
	1973 ¹	1974 ²		Balance of	Reserves	GNP Growth
	Total	Increase	Total	Trade 1973 ¹	31 December 73 ¹	Rate 1973 ¹ (Percent)
Latin America						
Argentina	150	350	500	960	1,300	4.0
Brazil	850	1,650	2,500	-600	6,500	11.4
Central American Common Market and Panama	165	330	495	-420	370	5.0
Chile	120	210	330	-348	300	-6.0
Near East						
Turkey	175	475	650	-775	2,200	7.5
Africa						
Kenya	55	165	220	-170 ³	233	6.0 ⁴
Tanzania	45	95	140	-70 ³	145	5.0 ⁴
Zaire	20	55	75	45 ³	240	7.0 ⁴
Asia						
Bangladesh	60	90	150	-400	160	N.A.
India	485	715	1,200	-245	1,300	5.0
Pakistan	65	305	370	30	500	5.5
Philippines	200	400	600	15	1,000	8.0
South Korea	300	700	1,000	-675	1,020	17.0
Sri Lanka	25	75	100	-45	85	2.5
Thailand	200	400	600	-490	1,300	5.0

¹Estimated.²Projected.³Data are for 1972.⁴Data are for 1971.

Attachment 2

Fertilizer Imports by Less Developed Countries

The LDCs imported about 4.6 million metric tons of nutrients in 1972 composed of the following nutrients:

Nitrogen	2,366,000	metric tons		
Phosphorous	781,000	"	"	
Potassium	1,487,000	"	"	
<u>Total</u>	<u>4,634,000</u>	"	"	

In 1972, prices averaged about \$150 per ton for the nitrogen and phosphorous and \$35 per ton for the potassium, making the total cost of these nutrients about \$525 million.

Based on price trends so far this year, we estimate 1974 prices will average \$600 per ton for the nitrogen and phosphorous and \$100 per ton for the potassium. Assuming the same quantities as for 1972, the 1974 cost will be about \$2 billion.

Attachment 3

Commodity Price Trends

<u>Year</u>	<u>Crude Oil</u>	<u>Tin</u>	<u>Copper</u>	<u>Zinc</u>	<u>Lead</u>	<u>Wheat</u>	<u>Sugar</u>	<u>Cotton</u>	<u>Manufactured Goods ^{1/}</u>
1955	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1960	95.3	107.0	86.2	105.3	78.9	88.1	105.0	93.5	109.7
1965	97.2	188.1	94.3	117.9	105.7	69.0	113.3	90.5	115.1
1970	106.5	183.8	154.8	124.4	103.7	65.5	134.8	74.7	132.3
1971	144.9	176.7	138.9	130.9	91.8	69.9	142.0	82.4	138.7
1972	162.6	187.3	136.6	143.9	101.7	81.4	151.8	102.1	150.5
1973	218.2	241.6	159.7	166.7	107.7	158.4	171.0	167.0	176.3
1974									
March	1,046.7	395.9	331.9	601.6	211.4	232.3	325.0	194.9	N.A.
June	1,046.7	431.8	293.3	520.3	171.7	169.9	450.0	172.9	187.1
September	1,063.6	438.1	173.3	333.3	158.5	193.8	533.7	145.8	N.A.

1. 11 principal suppliers.

STATISTICAL SURVEY

World Crude Oil Production

Recent Trends in Arab Oil Production

Arab Oil: Productive Capacity, September 1974

European Cargo Prices, 1974

Retail Petroleum Product Prices

Estimated Oil Imports, by Source, 1973

Oil Company Control of Production in OPEC
Countries, May 1974

Position of Foreign Oil Companies in OPEC
Countries' Oil Output, May 1974

World Crude Oil Production

Thousand b/d

	Sep 1973 (Pre-Crisis Level)	1974				
		1973	1st Qtr	2d Qtr	Jul	Aug
Western hemisphere	16,042	16,118	15,930	15,540	15,460	15,440
United States	9,149	9,189	9,000	8,950	8,960	8,920
Venezuela	3,387	3,364	3,230	2,970	2,940	2,860
Canada	1,745	1,798	1,860	1,750	1,680	1,680
Mexico	470	465	500	550	700	700
Ecuador	210	204	230	230	100	200
Other	1,081	1,098	1,110	1,090	1,080	1,080
Eastern hemisphere	42,038	39,567	40,290	41,660	40,520	39,790
Western Europe	389	370	360	380	400	400
Middle East	22,977	21,158	21,280	22,610	21,910	21,140
Saudi Arabia	8,574	7,607	7,820	8,860	8,790	8,200
Iran	5,793	5,861	6,130	6,140	6,060	6,060
Kuwait	3,520	3,024	2,840	2,850	2,280	2,100
Iraq	2,167	1,964	1,800	1,700	1,700	1,700
Abu Dhabi (UAE)	1,381	1,298	1,320	1,620	1,650	1,650
Qatar	608	570	520	520	520	520
Oman	302	293	300	300	290	290
Dubai (UAE)	273	220	230	240	240	240
Other	359	321	320	380	380	380
Africa	6,132	5,902	5,660	5,670	5,140	5,200
Libya	2,286	2,187	1,890	1,820	1,400	1,400
Nigeria	2,100	2,053	2,250	2,300	2,200	2,310
Algeria	1,100	1,070	970	980	950	900
Other	646	592	550	570	590	590
Asia-Pacific	2,352	2,272	2,390	2,400	2,370	2,350
Indonesia	1,402	1,339	1,440	1,480	1,470	1,450
Other	950	933	950	920	900	900
Communist countries	10,188	9,865	10,600	10,600	10,700	10,700
USSR	8,663	8,420	8,900	8,900	9,000	9,000
China	1,140	1,060	1,310	1,310	1,310	1,310
Romania	275	275	280	280	280	280
Other	110	110	110	110	110	110
World total	58,080	55,685	56,220	57,200	55,980	55,230
Of which:						
OPEC members ¹	32,801	30,761	30,670	31,710	30,330	29,650
OAPEC members ²	20,311	18,272	17,640	18,950	17,940	17,150

1. The members of the Organization of Petroleum Exporting Countries are Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela.

2. The members of the Organization of Arab Petroleum Exporting Countries are Algeria, Bahrain, Egypt, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, Syria, and United Arab Emirates.

Recent Trends in Arab Oil Production¹

	1973			1974				
	Sep	Nov	Dec	1st Qtr	2d Qtr	Jul	Aug	Sep
Production (Thousand b/d)								
Total	20,613	15,684	16,005	17,940	19,250	18,230	17,440	17,840
Saudi Arabia ²	8,574	6,269	6,616	7,820	8,860	8,790	8,200	8,800
Kuwait ²	3,520	2,582	2,556	2,840	2,850	2,280	2,100	2,100
Libya	2,286	1,766	1,769	1,890	1,820	1,400	1,400	1,500
Iraq	2,167	2,026	2,136	1,800	1,700	1,700	1,700	1,700
Abu Dhabi (UAE)	1,381	1,153	1,016	1,320	1,620	1,650	1,650	1,350
Algeria	1,100	880	860	970	980	950	900	900
Qatar	608	465	460	520	520	520	520	520
Oman	302	302	302	300	300	290	290	290
Dubai (UAE)	273	140 ³	141 ³	230 ³	240	240	240	240
Sharjah (UAE) ⁴	....	....	....	....	....	30	60	60
Other ⁵	402	99 ⁶	149 ⁶	250 ⁶	360	380	380	380
Percent Decrease from September 1973								
For all countries	....	24	22	13	7	12	15	13

1. This table illustrates the effect of the OAPEC decisions of 4 November and 25 December on Arab oil production through September 1974; Iraq did not sign the agreements; Oman, which is not a member of OAPEC, did not reduce production.

2. Including approximately one-half of Neutral Zone production.

3. Production reduced by offshore well fire.

4. Production began in mid-July at 50,000-60,000 b/d.

5. Including data for Bahrain, Egypt, and Syria.

6. Production decreased in Egypt and Syria as a result of war activity.

Arab Oil: Productive Capacity, September 1974

	Thousand b/d	
	Estimated Productive Capacity	Underutilization of Productive Capacity
Total	24,360	6,520
Saudi Arabia ¹	10,300	1,500
Kuwait ¹	3,800	1,700
Libya	3,000	1,500
Iraq	2,500	800
Abu Dhabi (UAE)	1,900	550
Algeria	1,100	200
Qatar	700	180
Oman	300	10
Dubai (UAE)	300	60
Sharjah (UAE)	60	....
Other ²	400	20

1. Including approximately one-half of Neutral Zone production capacity.

2. Including data for Bahrain, Egypt, and Syria.

European Cargo Prices¹
1974

US \$ per Barrel

		F.O.B. Rotterdam				F.O.B. Italy			
		Heavy Fuel Oil		Gas Oil	Gasoline (Premium)	Heavy Fuel Oil		Gas Oil	Gasoline (Premium)
		1% Sulfur	3.5% Sulfur	0.5% Sulfur		1% Sulfur	3.5% Sulfur	0.5% Sulfur	
Jan	4	20.27	19.52	22.20	22.34	19.52	18.77	21.52	20.87
	11	17.64	15.01	17.49	16.76	16.52	14.26	16.55	16.76
	18	17.64	14.64	16.88	16.76	16.14	14.26	16.55	16.17
	25	16.14	14.64	17.22	17.45	16.14	14.64	14.91	17.35
Feb	1	15.40	13.88	14.36	17.51	15.40	13.88	13.90	16.76
	8	12.61	11.34	13.57	18.23	12.61	11.34	12.10	17.64
	15	12.58	11.64	13.38	20.40	12.58	12.02	12.05	19.57
	22	12.38	11.64	13.57	20.14	12.38	11.64	12.05	19.57
Mar	1	12.01	11.34	13.10	20.10	12.38	11.94	12.05	19.80
	8	11.41	11.18	13.84	21.27	12.61	12.16	12.05	21.27
	15	10.58	9.76	13.31	22.45	10.88	11.26	12.31	22.45
	22	10.58	9.83	13.10	23.08	10.70	9.95	12.03	22.49
	29	9.91	9.16	12.73	22.45	9.91	9.38	11.38	22.05
Apr	5	9.91	9.16	11.07	22.57	10.06	9.16	10.92	22.22
	12	10.48	9.61	9.79	21.15	10.21	9.12	9.47	20.87
	19	10.14	9.34	11.73	20.47	9.91	9.31	10.00	19.70
	26	9.68	9.38	12.10	20.22	9.46	9.30	10.09	19.26
May	3	9.98	9.84	11.59	21.27	9.68	9.16	10.45	19.15
	10	10.28	10.06	12.91	21.15	9.91	9.61	11.98	19.56
	17	10.13	9.98	12.64	20.97	9.98	9.68	11.66	19.39
	24	10.44	10.28	12.05	20.09	10.13	9.53	11.32	18.91
	31	10.59	10.44	12.12	19.39	9.99	9.65	11.69	18.92
Jun	7	10.59	10.14	12.12	18.51	10.14	9.69	11.33	17.92
	14 ²	10.06	9.54	11.87	17.82	9.76	9.16	11.17	17.35
	21 ²	9.95	9.46	11.74	16.82	9.76	9.16	11.17	16.17
	28 ²	9.87	9.35	11.80	15.52	9.76	9.16	11.30	14.99
Jul	3 ²	9.87	9.35	11.94	15.52	9.76	9.16	11.57	14.89
	12 ²	9.72	9.35	12.54	14.75	9.68	9.16	12.07	14.16
	19 ²	9.72	9.16	12.64	14.16	9.50	9.16	11.94	13.81
	26 ²	9.76	9.01	12.40	14.40	9.39	9.01	11.87	13.81
Aug	2 ²	9.61	8.94	12.14	13.92	9.39	9.01	11.87	13.28
	9 ²	9.63	8.99	12.23	13.67	9.40	8.92	12.10	13.02
	16 ²	9.63	8.99	12.30	13.37	9.40	8.92	12.13	12.78
	23 ²	9.98	9.31	12.29	13.48	9.42	9.05	12.10	12.74
Sep	6 ²	10.19	9.40	12.60	13.52	9.85	9.55	12.13	12.37
	13 ²	10.11	9.44	12.68	13.52	9.85	9.70	12.13	12.37
	20 ²	10.11	9.44	12.13	13.52	9.85	9.70	11.87	12.37
	27 ²	10.11	9.44	12.22	13.22	9.85	9.40	11.73	12.13

1. Unless otherwise indicated, midpoint of the range of the prices quoted in the *Oil Buyers' Guide*.2. Midpoint of the range of the prices quoted in the *Platt's Oilgram Price Service*.

Retail Petroleum Product Prices

US Cents per Gallon

	Gasoline				Diesel Fuel		Domestic Heating Oil	
	Regular		Premium					
	Price ¹	Tax	Price ¹	Tax	Price ¹	Tax	Price ¹	Tax
United States								
1973 - Oct	40	12	44	12	23	12	24	12
1974 - Jan	46	12	50	12	32	12	33	12
Feb	49	12	53	12	34	12	34	12
Mar	53	12	56	12	35	12	34	12
Apr	54	12	58	12	35	12	35	12
May	55	12	59	12	36	12	36	12
Jun	56	12	59	12	36	12	36	12
Jul	56	12	59	12	37	12	37	12
Aug	55	12	59	12	38	12	38	2 ²
France								
1973 - Oct	98	72	115	76	68	44	28	6
1974 - Jan	126	70	136	75	81	42	41	8
Feb	126	70	136	75	81	42	41	8
Mar	126	70	136	75	81	42	41	8
Apr	126	70	136	75	81	42	41	8
May	126	70	136	75	81	42	41	8
Jun	126	70	136	75	81	42	41	8
Jul	130	74	140	79	85	46	41	8
Aug	130	74	140	79	88	47	41	8
Italy								
1973 - Oct	104	78	110	80	56	27	27	3
1974 - Jan	112	85	118	87	67	37	28	3
Feb	146	93	154	96	80	38	42	3
Mar	146	93	154	96	80	38	42	3
Apr	146	93	154	96	80	38	42	3
May	146	93	154	96	80	38	42	3
Jun	146	93	154	96	80	38	42	3
Jul	170	116	178	120	80	38	42	3
Aug	170	116	178	120	80	38	42	3
West Germany								
1973 - Oct	101	73	112	74	102	69	25	1
1974 - Jan	124	75	134	76	126	71	46	1
Feb	124	75	134	76	126	71	46	1
Mar	124	75	134	76	126	71	46	1
Apr	124	75	134	76	126	71	46	1
May	124	75	134	76	126	71	46	1
Jun	124	75	134	76	126	71	46	1
Jul	124	75	134	76	126	71	46	1
Aug	124	75	134	76	126	71	46	1
United Kingdom								
1973 - Oct	69	44	72	44	69	44	19	2
1974 - Jan	75	44	78	44	75	44	23	2
Feb	93	44	97	44	94	44	38	2
Mar	93	44	97	44	94	44	38	2
Apr	103	53	107	53	106	53	38	2
May	103	53	107	53	106	53	38	2
Jun	103	53	107	53	106	53	38	2
Jul	103	53	107	53	106	53	38	2
Aug	103	53	107	53	106	53	38	2
Japan								
1973 - Oct	87	38	101	38	54	20	19	....
1974 - Jan	114	38	128	38	N.A.	20	N.A.	....
Feb	114	38	128	38	N.A.	20	N.A.	....
Mar	114	38	128	38	70	20	32	....
Apr	134	46	148	46	74	20	39	....
May	134	46	148	46	74	20	39	....
Jun	134	46	148	46	74	20	39	....
Jul	134	46	148	46	74	20	39	....
Aug	127	46	141	46	74	20	39	....

1. Including tax.

2. Estimated.

Estimated Oil Imports, by Source¹
1973

Thousand b/d and Percent of Imports

	Total Arab and Non-Arab	Arab Countries							
		Total	Saudi Arabia	Kuwait	Libya	Iraq	Abu Dhabi	Algeria	Other
United States	6,200	1,590	590	160	350	50	160	140	140
%	100.0	25.6	9.5	2.6	5.6	0.8	2.6	2.3	2.3
Japan	5,400	2,390	1,240	540	20	Negl.	430	....	160
%	100.0	44.3	23.0	10.0	0.4	Negl.	8.0	....	3.0
Canada	1,000	220	80	Negl.	40	20	60	....	20
%	100.0	22.0	8.0	Negl.	4.0	2.0	6.0	....	2.0
Western Europe	15,200	10,600	4,000	1,700	1,590	1,160	600	780	770
%	100.0	69.7	26.3	11.2	10.5	7.6	3.9	5.1	5.1
United Kingdom	2,330	1,480	550	400	240	60	50	50	130
%	100.0	63.5	23.6	17.2	10.3	2.6	2.1	2.1	5.6
West Germany	2,250	1,610	480	90	550	30	110	280	70
%	100.0	71.6	21.3	4.0	24.4	1.3	4.9	12.4	3.1
Italy	2,440	1,930	630	200	460	430	....	....	210
%	100.0	79.1	25.8	8.2	18.9	17.6	....	....	8.6
France	2,780	2,070	620	320	130	380	290	230	100
%	100.0	74.5	22.3	11.5	4.7	13.7	10.4	8.3	3.6
Netherlands ²	2,090	1,340	690	380	60	10	80	20	100
%	100.0	64.1	33.0	18.2	2.9	0.5	3.8	1.0	4.8
Belgium-Luxembourg	720	550	290	120	30	30	10	50	20
%	100.0	76.4	40.3	16.7	4.2	4.2	1.4	6.9	2.8
Spain	1,000	820	470	90	40	50	....	110	60
%	100.0	82.0	47.0	9.0	4.0	5.0	....	11.0	6.0
Other	1,590	800	270	100	80	170	60	40	80
%	100.0	50.3	17.0	6.3	5.0	10.7	3.8	2.5	5.0

Non-Arab Countries

	Total	Iran	Venezuela	Indonesia	Canada	Nigeria	Other
United States	4,610	420	1,840	250	1,100	550	450
%	74.4	6.8	29.7	4.0	17.7	8.9	7.3
Japan	3,010	1,730	10	840	....	100	330
%	55.7	32.0	0.2	15.6	....	1.9	6.1
Canada	780	180	470	Negl.	....	80	50
%	78.0	18.0	47.0	Negl.	....	8.0	5.0
Western Europe	4,600	2,150	320	Negl.	....	1,130	1,000
%	30.3	14.1	2.1	Negl.	....	7.4	6.6
United Kingdom	850	460	80	Negl.	....	180	130
%	36.5	19.7	3.4	Negl.	....	7.7	5.6
West Germany	640	270	40	Negl.	....	200	130
%	28.4	12.0	1.8	Negl.	....	8.9	5.8
Italy	510	330	20	....	....	10	150
%	20.9	13.5	0.8	....	....	0.4	6.1
France	710	220	40	....	....	250	200
%	25.5	7.9	1.4	....	....	9.0	7.2
Netherlands ²	750	440	50	....	....	220	40
%	35.9	21.1	2.4	....	....	10.5	1.9
Belgium-Luxembourg	170	100	20	....	....	30	20
%	23.6	13.9	2.8	....	....	4.2	2.8
Spain	180	120	40	....	....	10	10
%	18.0	12.0	4.0	....	....	1.0	1.0
Other	790	210	30	....	....	230	320
%	49.7	13.2	1.9	....	....	14.5	20.1

1. This table allocates imports on a direct and indirect basis--i.e., refined products from export refineries are traced to the source of the crude oil.

2. Excluding oil transhipped to other West European countries.

**Oil Company Control of Production
in OPEC Countries, May 1974**

The accompanying table shows the amount of OPEC oil controlled by 13 foreign oil companies or operating groups accounting for nearly 90% of the OPEC countries' output. The following tabulation is a summary of the table.

Company	Thousand b/d	
	Production	Minimum Amount Controlled ¹
Foreign companies or groups producing at least 150,000 b/d	27,601	17,464
Major international companies	24,487	15,169
British Petroleum	4,998	3,689
Exxon	4,806	3,045
Texaco	3,721	1,822
Standard Oil of California	3,556	1,685
Royal Dutch/Shell	3,045	2,315
Gulf	2,530	1,530
Mobil	1,831	1,083
Occidental	380	186
Continental	308	169
Marathon	233	114
French companies	1,424	1,213
Italian companies	289	173
Japanese companies	480	440
National oil companies and small foreign firms	4,289	....
Total	31,890	....

1. This column shows the amount the companies control directly through equity ownership. This amount would be reduced further if producing governments exercised their option to take royalties (in most cases, 12 1/2% of a company's equity oil) in kind rather than in cash. In practice, the companies can be expected to market larger amounts than shown here because the governments probably will continue to sell a large share of state-owned oil back to the companies.

Position of Foreign Oil Companies in OPEC Countries' Oil Output
May 1974

Company/Country	Production	Thousand b/d
		Minimum Amount Controlled ¹
Foreign companies or groups producing at least 150,000 b/d	27,601	17,464
Major international companies	24,487	15,169
Abu Dhabi (UAE)	980	740
Ecuador	220	164
Indonesia	1,080	430
Iran	5,080	5,080
Iraq	305	305
Kuwait	2,570	1,028
Libya	423	207
Nigeria	2,034	913
Qatar	460	182
Saudi Arabia	8,700	3,485
Venezuela	2,635	2,635
British Petroleum	4,998	3,689
Abu Dhabi (UAE)	460	345
Iran	2,280	2,280
Iraq	210	210
Kuwait	1,285	514
Nigeria	708	318
Qatar	55	22
Exxon	4,806	3,045
Abu Dhabi (UAE)	130	100
Indonesia	35	15
Iran	400	400
Libya	256	125
Qatar	25	10
Saudi Arabia	2,610	1,045
Venezuela	1,350	1,350
Texaco	3,721	1,822
Ecuador	110	82
Indonesia	505	200
Iran	400	400
Nigeria	1	Negl.
Saudi Arabia	2,610	1,045
Venezuela	95	95
Standard Oil of California	3,556	1,685
Indonesia	505	200
Iran	400	400
Nigeria	1	Negl.
Saudi Arabia	2,610	1,045
Venezuela	40	40
Royal Dutch/Shell	3,045	2,315
Abu Dhabi (UAE)	260	195
Iran	800	800
Iraq	95	95
Libya	117	57

Position of Foreign Oil Companies in OPEC Countries' Oil Output
May 1974
(Continued)

Company/Country	Production	Thousand b/d
		Minimum Amount Controlled ¹
Nigeria	708	318
Qatar	355	140
Venezuela	710	710
Gulf	2,530	1,530
Ecuador	110	82
Iran	400	400
Kuwait	1,285	514
Nigeria	365	164
Venezuela	370	370
Mobil	1,831	1,083
Abu Dhabi (UAE)	130	100
Indonesia	35	15
Iran	400	400
Libya	50	25
Nigeria	251	113
Qatar	25	10
Saudi Arabia	870	350
Venezuela	70	70
Occidental	380	186
Libya	380	186
Continental	308	169
Dubai (UAE)	75	55
Libya	233	114
Marathon	233	114
Libya	233	114
French companies (CFP, ERAP, Aquitaine)	1,424	1,213
Abu Dhabi (UAE)	440	330
Algeria	225	225
Dubai (UAE)	60	45
Iran	340	340
Iraq	210	210
Libya	10	5
Nigeria	84	38
Qatar	55	20
Italian companies (ENI)	289	173
Iran	70	70
Libya	145	70
Nigeria	74	33
Japanese companies	480	440
Abu Dhabi (UAE)	160	120
Kuwait	160	160
Saudi Arabia	160	160
Total OPEC production	31,890	

1. This column shows the amount the companies control directly through equity ownership. This amount would be reduced further if producing governments exercised their option to take royalties (in most cases, 12 1/2% of a company's equity oil) in kind rather than in cash. In practice, the companies can be expected to market larger amounts than shown here because the governments probably will continue to sell a large share of state-owned oil back to the companies.

(Unclassified)

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16 October 1974

MEMORANDUM FOR THE RECORD

SUBJECT: Impact of High Oil Prices on the Less Developed Countries

The following was provided at the request of the Honorable Henry Jackson, US Senate through [redacted] the Agency's Deputy Legislative Counsel. The memorandum was prepared by members of this branch with support from

Office of Economic Research

Attachment:
As stated

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